



General Assembly

Amendment

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LCO No. 8682

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Offered by:

REP. FONTANA, 87th Dist.

SEN. CRISCO, 17th Dist.

To: Subst. House Bill No. 6529

File No. 311

Cal. No. 251

**"AN ACT CONCERNING THE LICENSING AND REGULATION OF
THIRD-PARTY ADMINISTRATORS."**

1 Strike everything after the enacting clause and substitute the
2 following in lieu thereof:

3 "Section 1. (NEW) (*Effective October 1, 2009*) As used in sections 1 to
4 15, inclusive, of this act:

5 (1) "Adjuster" means an individual who investigates or settles loss
6 claims. "Adjuster" does not include an employee of an insurer who
7 investigates or settles claims incurred under insurance contracts
8 written by the insurer or an affiliated insurer.

9 (2) "Affiliate" or "affiliated" has the same meaning as provided in
10 section 38a-1 of the general statutes.

11 (3) "Business entity" means a corporation, a limited liability
12 company or any other similar form of business organization, whether
13 for profit or nonprofit.

- 14 (4) "Commissioner" means the Insurance Commissioner.
- 15 (5) "Control" or "controlled by" has the same meaning as provided
16 in section 38a-1 of the general statutes.
- 17 (6) "Insurance producer" has the same meaning as provided in
18 section 38a-702a of the general statutes.
- 19 (7) "Insurer" or "insurance company" means any person or
20 combination of persons doing any kind or form of insurance business
21 other than a fraternal benefit society, and includes a captive insurance
22 company, as defined in section 38a-91aa of the general statutes, a
23 captive insurer as defined in section 38-91k of the general statutes, a
24 licensed insurance company, a medical service corporation, a hospital
25 service corporation, a health care center, and a consumer dental plan
26 that provides employee welfare benefits on a self-funded basis or as
27 defined in section 38a-577 of the general statutes.
- 28 (8) "NAIC" means the National Association of Insurance
29 Commissioners.
- 30 (9) "Person" has the same meaning as provided in section 38a-1 of
31 the general statutes.
- 32 (10) "Sell" means the exchange of an insurance contract for money or
33 other consideration, by any means, on behalf of an insurance company.
- 34 (11) "Third-party administrator" means any person who directly or
35 indirectly underwrites, collects premiums or charges from, or adjusts
36 or settles claims on, residents of this state in connection with life,
37 annuity or health coverage offered or provided by an insurer. "Third-
38 party administrator" does not include:
- 39 (A) An employer administering its employee benefit plan or the
40 benefit plan of an affiliated employer under common management and
41 control;
- 42 (B) A union administering a benefit plan on behalf of its members;

43 (C) An insurer that is licensed in this state or is acting as an
44 authorized insurer with respect to insurance lawfully issued to cover a
45 Connecticut resident, and sales representatives thereof;

46 (D) An insurance producer who is licensed to sell life, annuity or
47 health coverage in this state, whose activities are limited exclusively to
48 the sale of insurance;

49 (E) A creditor acting on behalf of its debtors with respect to
50 insurance covering a debt between the creditor and its debtors;

51 (F) A trust and its trustees, agents and employees acting pursuant to
52 such trust established in conformity with 29 USC Section 186, as
53 amended from time to time;

54 (G) A trust exempt from taxation under Section 501(a) of the
55 Internal Revenue Code of 1986, or any subsequent corresponding
56 internal revenue code of the United States, as amended from time to
57 time, and its trustees and employees acting pursuant to such trust, or a
58 custodian and the custodian's agents and employees acting pursuant
59 to a custodian account that meets the requirements of Section 401(f) of
60 the Internal Revenue Code of 1986, or any subsequent corresponding
61 internal revenue code of the United States, as amended from time to
62 time;

63 (H) A credit union or a financial institution that is subject to
64 supervision or examination by federal or state banking authorities, or a
65 mortgage lender, to the extent such credit union, financial institution
66 or mortgage lender collects or remits premiums to licensed insurance
67 producers or limited lines producers or to authorized insurers, in
68 connection with loan payments;

69 (I) A credit card issuing company that advances or collects
70 premiums or charges from its credit cardholders who have authorized
71 collection;

72 (J) An attorney-at-law who adjusts or settles claims in the normal

73 course of such attorney's practice or employment and who does not
74 collect premiums or charges in connection with life, annuity or health
75 coverage;

76 (K) An adjuster who is licensed in this state or is not subject to the
77 licensure requirements of chapter 702 of the general statutes and
78 whose activities are limited to adjusting claims;

79 (L) An insurance producer who is licensed in this state and acting as
80 a managing general agent, as defined in section 38a-90a of the general
81 statutes, whose activities are limited exclusively to those specified in
82 said section;

83 (M) A business entity that is affiliated with an insurer licensed in
84 this state and that undertakes activities as a third-party administrator
85 only for the direct and assumed insurance business of the affiliated
86 insurer;

87 (N) A consortium of federally qualified health centers funded by the
88 state, providing services only to the recipients of programs
89 administered by the Department of Social Services;

90 (O) A pharmacy benefits manager registered under section 38a-
91 479bbb of the general statutes;

92 (P) An entity providing administrative services to the Health
93 Reinsurance Association established under section 38a-556 of the
94 general statutes; or

95 (Q) A nonprofit association or one of its direct subsidiaries that
96 provides access to insurance as part of the benefits or services such
97 association or subsidiary makes available to its members.

98 (12) "Underwrites" or "underwriting" means, but is not limited to,
99 the acceptance of employer or individual applications for coverage of
100 individuals in accordance with the written rules of the insurer or self-
101 funded plan, and the overall planning and coordination of a benefits
102 program.

103 (13) "Uniform application" means the current version of the
104 National Association of Insurance Commissioners' Uniform
105 Application for Third Party Administrators.

106 Sec. 2. (NEW) (*Effective October 1, 2009*) (a) No person shall offer to
107 act as or hold himself out to be a third-party administrator in this state
108 unless such person is licensed pursuant to section 11 of this act, or is
109 exempt from licensure pursuant to subsection (b) of this section. This
110 requirement shall not apply to a person employed by a third-party
111 administrator to the extent that such person's activities are under the
112 supervision and control of the third-party administrator. The authority
113 granted to a third-party administrator pursuant to sections 1 to 10,
114 inclusive, of this act shall not exempt such third-party administrator's
115 employees from the licensing requirements of chapters 701b and 702 of
116 the general statutes.

117 (b) (1) Any insurer licensed in this state that directly or indirectly
118 underwrites, collects premiums or charges from, or adjusts or settles
119 claims for other than its policyholders, subscribers and certificate
120 holders shall be exempt from sections 1 to 15, inclusive, of this act,
121 provided such activities only involve the lines of insurance for which
122 such insurer is licensed in this state. Any such insurer shall (A) be
123 subject to the provisions of chapter 704 of the general statutes, (B)
124 respond to all complaint inquiries received from the Insurance
125 Department, not later than ten calendar days after the date a complaint
126 is received by the insurer, and (C) with respect to any advertising that
127 mentions any customer, obtain such customer's prior written consent.

128 (2) Nothing in this section shall authorize the commissioner to
129 regulate a self-insured health plan subject to the Employee Retirement
130 Income Security Act of 1974. The commissioner is authorized to
131 regulate those activities an insurer undertakes for the administration of
132 a self-insured health plan that do not relate to the health benefit plan
133 and that comport with the commissioner's statutory authority to
134 regulate insurance and the business of insurance as provided for in 29
135 USC 1144, as amended from time to time.

136 (c) No third-party administrator shall act as such without a written
137 agreement between such third-party administrator and an insurer or
138 other person utilizing the services of the third-party administrator,
139 which shall be retained as part of the official records of both the third-
140 party administrator and such insurer or other person for the duration
141 of such agreement and for five years thereafter. The agreement shall
142 contain all provisions required by this section, except insofar as those
143 provisions that do not apply to the activities performed by the third-
144 party administrator.

145 (d) The written agreement set forth in subsection (c) of this section
146 shall include, but not be limited to:

147 (1) A statement of activities that the third-party administrator shall
148 undertake on behalf of the insurer or other person utilizing the services
149 of the third-party administrator, and the lines, classes or types of
150 insurance such third-party administrator is authorized to administer;

151 (2) A statement of the activities and responsibilities of the third-
152 party administrator regarding the administration of or any standards
153 pertaining to business underwritten by the insurer, benefits, premium
154 rates, underwriting criteria or claims payment;

155 (3) A provision requiring the third-party administrator to render an
156 accounting, on such frequency as the parties agree, that details all
157 transactions performed by the third-party administrator pertaining to
158 the business underwritten by the insurer or the business of the person
159 utilizing the services of the third-party administrator;

160 (4) The procedures for any withdrawals to be made by the third-
161 party administrator from the fiduciary account established under
162 section 7 of this act. Such procedures shall address, but not be limited
163 to: (A) Remittance to an insurer or other person utilizing the services of
164 the third-party administrator who is entitled to remittance; (B) deposit
165 in an account maintained in the name of the insurer or other person
166 utilizing the services of the third-party administrator; (C) transfer to
167 and deposit in a claims-paying account, with claims to be paid as

168 provided for in subsection (d) of section 7 of this act; (D) payment to a
169 group policyholder for remittance to the insurer or other person
170 utilizing the services of the third-party administrator entitled to such
171 remittance; (E) payment to the third-party administrator for its
172 commissions, fees or charges; and (F) remittance of return premiums to
173 the person or persons entitled to such return premiums;

174 (5) Procedures and requirements for the disclosures required to be
175 made by the third-party administrator under section 9 of this act; and

176 (6) A termination provision, by which either party to the written
177 agreement may terminate such agreement for cause, that includes a
178 procedure to resolve any disputes regarding the cause for termination
179 of such agreement.

180 (e) A third-party administrator or insurer or other person utilizing
181 the services of the third-party administrator may, with written notice,
182 terminate the written agreement for cause as provided in such written
183 agreement. The insurer may suspend the underwriting authority of the
184 third-party administrator during the pendency of any dispute
185 regarding the cause for termination of the written agreement. The
186 insurer or other person utilizing the services of the third-party
187 administrator shall fulfill any legal obligations with respect to policies
188 or plans affected by the written agreement, regardless of any dispute
189 between the third-party administrator and the insurer or other person
190 utilizing the services of the third-party administrator.

191 Sec. 3. (NEW) (*Effective October 1, 2009*) (a) If an insurer or other
192 person utilizes the services of a third-party administrator, the payment
193 of any premiums or charges by or on behalf of an insured to the third-
194 party administrator shall be deemed to have been received by the
195 insurer or other person utilizing the services of the third-party
196 administrator.

197 (b) Return premium payments or claim payments forwarded by the
198 insurer or other person utilizing the services of the third-party
199 administrator to the third-party administrator shall not be deemed to

200 have been paid to the insured or claimant until such payments are
201 received by such insured or claimant.

202 (c) Nothing in this section shall limit any right of an insurer or other
203 person utilizing the services of a third-party administrator to bring a
204 cause of action arising from the failure of such third-party
205 administrator to make payments to the insurer, other person utilizing
206 the services of the third-party administrator, insureds or claimants.

207 Sec. 4. (NEW) (*Effective October 1, 2009*) (a) (1) Each third-party
208 administrator shall maintain and make available to the insurer or other
209 person utilizing the services of the third-party administrator complete
210 books and records of all transactions performed on behalf of the
211 insurer or other person utilizing the services of the third-party
212 administrator. Each third-party administrator shall (A) maintain such
213 books and records in accordance with prudent standards of insurance
214 record keeping, and (B) retain such books and records for a period of
215 not less than five years from the date of their creation.

216 (2) The insurer or other person utilizing the services of a third-party
217 administrator shall own any records generated by such third-party
218 administrator pertaining to such insurer or other person utilizing the
219 services of such third-party administrator. The third-party
220 administrator shall retain the right to maintain continued access to
221 books and records to permit the third-party administrator to fulfill all
222 of its contractual obligations to the insurer, other person utilizing the
223 services of the third-party administrator, insureds or claimants.

224 (b) An insurer that is affiliated with a business entity as set forth in
225 subparagraph (M) of subdivision (11) of section 1 of this act shall be
226 responsible for the acts of such business entity to the extent of such
227 business entity's activities as a third-party administrator for such
228 insurer. Such insurer shall be responsible for furnishing the books and
229 records of all transactions performed on behalf of the insurer to the
230 commissioner upon the commissioner's request.

231 (c) The commissioner shall have access for the purposes of

232 examination, audit and inspection to books and records maintained by
233 a third-party administrator. Any documents, materials or other
234 information in the possession or control of the commissioner that are
235 furnished by a third-party administrator, insurer, insurance producer
236 or employee or agent thereof acting on behalf of such third-party
237 administrator, insurer or insurance producer, or obtained by the
238 commissioner in an investigation shall (1) be confidential by law and
239 privileged, (2) not be subject to disclosure under section 1-210 of the
240 general statutes, (3) not be subject to subpoena, and (4) not be subject
241 to discovery or admissible in evidence in any private civil action. The
242 commissioner may use such documents, materials or other information
243 in the furtherance of any regulatory or legal action brought as a part of
244 the commissioner's official duties.

245 (d) Neither the commissioner nor any person who receives
246 documents, materials or other information as set forth in subsection (c)
247 of this section while acting under the authority of the commissioner
248 shall testify or be required to testify in any private civil action
249 concerning such documents, materials or information.

250 (e) To assist the commissioner in the performance of the
251 commissioner's duties, the commissioner may:

252 (1) Share documents, materials or other information, including
253 documents, materials or other information deemed confidential and
254 privileged pursuant to subsection (c) of this section, with other state,
255 federal and international regulatory agencies, the National Association
256 of Insurance Commissioners or its affiliates or subsidiaries and state,
257 federal and international law enforcement authorities, provided the
258 recipient of such documents, materials or other information agrees to
259 maintain the confidentiality and privileged status of such documents,
260 materials or other information;

261 (2) Receive documents, materials or other information, including
262 confidential and privileged documents, materials or other information
263 from the National Association of Insurance Commissioners or its

264 affiliates or subsidiaries and from regulatory and law enforcement
265 officials of foreign or domestic jurisdictions. The commissioner shall
266 maintain as confidential or privileged any documents, materials or
267 other information received with notice or the understanding that such
268 documents, materials or other information are confidential or
269 privileged under the laws of the jurisdiction that is the source of such
270 documents, materials or other information; and

271 (3) Enter into agreements governing the sharing and use of
272 information consistent with this subsection.

273 (f) No waiver of any applicable privilege or claim of confidentiality
274 in any documents, materials or other information shall occur as a
275 result of disclosure to the commissioner or of sharing in accordance
276 with subsection (e) of this section.

277 (g) Nothing in sections 1 to 15, inclusive, of this act shall prohibit the
278 commissioner from releasing final, adjudicated actions, including for
279 cause terminations of licenses issued to third-party administrators, to a
280 database or other clearinghouse service maintained by the National
281 Association of Insurance Commissioners or its affiliates or subsidiaries.

282 (h) Notwithstanding the provisions of subparagraph (B) of
283 subdivision (1) of subsection (a) of this section, if a written agreement
284 set forth in subsection (c) of this section is terminated, the third-party
285 administrator may, by a separate written agreement with the insurer
286 or other person utilizing the services of the third-party administrator,
287 transfer all books and records to a new third-party administrator. Such
288 new third-party administrator shall acknowledge to the insurer or
289 other person utilizing the services of the new third-party
290 administrator, in writing, that the new third-party administrator shall
291 be responsible for retaining the books and records of the prior third-
292 party administrator as required under subparagraph (B) of subdivision
293 (1) of subsection (a) of this section.

294 Sec. 5. (NEW) (*Effective October 1, 2009*) A third-party administrator
295 shall only use advertising pertaining to the business underwritten by

296 an insurer that has been approved, in writing, by the insurer prior to
297 its use. A third-party administrator that mentions any customer or
298 person utilizing the services of the third-party administrator in its
299 advertising shall obtain such customer's or person's prior written
300 consent.

301 Sec. 6. (NEW) (*Effective October 1, 2009*) (a) Each insurer or other
302 person utilizing the services of a third-party administrator shall be
303 responsible for determining the benefits, premium rates, underwriting
304 criteria and claims payment procedures for the lines, classes or types of
305 insurance such third-party administrator is authorized to administer,
306 and for securing reinsurance, if any. The insurer or other person
307 utilizing the services of a third-party administrator shall provide to
308 such third-party administrator, in writing, procedures pertaining to
309 such third-party administrator's administration of benefits, premium
310 rates, underwriting criteria and claims payment. Each insurer or other
311 person utilizing the services of a third-party administrator shall be
312 responsible for the competent administration of such insurer's or other
313 person's benefit and service programs.

314 (b) If a third-party administrator administers benefits for more than
315 one hundred certificate holders on behalf of an insurer or other person
316 utilizing the services of a third-party administrator, such insurer or
317 other person shall, at least semiannually, conduct a review of the
318 operations of the third-party administrator. At least one such review
319 shall be an on-site audit of the operations of the third-party
320 administrator.

321 Sec. 7. (NEW) (*Effective October 1, 2009*) (a) All premiums or charges
322 collected by a third-party administrator on behalf of or for an insurer
323 or other person utilizing the services of a third-party administrator,
324 and the return of premiums received from such insurer or other
325 person, shall be held by the third-party administrator in a fiduciary
326 capacity. The funds shall be immediately remitted to the person
327 entitled to them or deposited promptly in a fiduciary account
328 established and maintained by the third-party administrator in a

329 federal or state chartered, federally insured financial institution. The
330 third-party administrator shall render an accounting to the insurer or
331 other person utilizing the services of a third-party administrator that
332 details all transactions performed by the third-party administrator
333 pertaining to the business underwritten by the insurer or the business
334 of the person utilizing the services of a third-party administrator.

335 (b) Each third-party administrator that deposits in a fiduciary
336 account charges or premiums collected on behalf of or for one or more
337 insurers or other persons utilizing the services of the third-party
338 administrator shall keep clear records of the deposits in and
339 withdrawals from the account on behalf of each insurer or other
340 person utilizing the services of the third-party administrator. The
341 third-party administrator shall keep copies of all the records and, upon
342 request by the insurer or other person utilizing the services of the
343 third-party administrator, shall furnish such insurer or other person
344 with a copy of the records of the deposits and withdrawals pertaining
345 to such insurer or other person.

346 (c) A third-party administrator shall not pay any claim by making
347 withdrawals from a fiduciary account in which premiums or charges
348 are deposited. Withdrawals from the account shall be made as
349 provided in the written agreement set forth in subsection (c) of section
350 2 of this act.

351 (d) All claims paid by the third-party administrator from funds
352 collected on behalf of or for an insurer or other person utilizing the
353 services of the third-party administrator shall be paid only by drafts or
354 checks of, and as authorized by, such insurer or other person.

355 Sec. 8. (NEW) (*Effective October 1, 2009*) (a) A third-party
356 administrator shall not enter into any written or oral agreement or
357 understanding with an insurer or other person utilizing the services of
358 the third-party administrator that makes or has the effect of making
359 the amount of the third-party administrator's commissions, fees, or
360 charges contingent upon savings effected in the adjustment, settlement

361 or payment of losses covered by the insurer's or other person utilizing
362 the services of the third-party administrator's obligations. This
363 provision shall not prohibit a third-party administrator from receiving
364 performance-based compensation for providing hospital auditing or
365 other auditing services.

366 (b) This section shall not prevent the compensation of a third-party
367 administrator from being based on premiums or charges collected or
368 the number of claims paid or processed.

369 Sec. 9. (NEW) (*Effective October 1, 2009*) (a) When the services of a
370 third-party administrator are utilized, such third-party administrator
371 shall provide a written notice, approved by the insurer or other person
372 utilizing the services of the third-party administrator, to insureds
373 advising them of the identity of, and relationship among, the third-
374 party administrator, the policyholder and the insurer or other person
375 utilizing the services of the third-party administrator.

376 (b) When a third-party administrator collects premiums, charges or
377 fees, the reason for collection of each item shall be identified to the
378 insured and each item shall be shown separately. Additional charges
379 shall not be made for services to the extent the services have been paid
380 for by the insurer or other person utilizing the services of the third-
381 party administrator.

382 (c) The third-party administrator shall disclose to the insurer or
383 other person utilizing the services of the third-party administrator all
384 charges, fees and commissions that the third-party administrator
385 receives arising from services it provides for the insurer or other
386 person utilizing the services of the third-party administrator, including
387 any fees or commissions paid by insurers providing reinsurance or
388 stop loss coverage.

389 Sec. 10. (NEW) (*Effective October 1, 2009*) Any policies, certificates,
390 booklets, termination notices or other written communications
391 delivered by an insurer or other person utilizing the services of a third-
392 party administrator to such third-party administrator for delivery to

393 such insurer's or other person's insureds shall be delivered by the
394 third-party administrator promptly after receipt of instructions to
395 deliver them from an insurer or other person utilizing the services of
396 the third-party administrator.

397 Sec. 11. (NEW) (*Effective October 1, 2009*) (a) A third-party
398 administrator applying for licensure shall submit an application to the
399 commissioner by using the uniform application and paying a fee
400 pursuant to section 38a-11 of the general statutes, as amended by this
401 act. The uniform application shall include or be accompanied by the
402 following information and documents: (1) All basic organizational
403 documents of the applicant, including any articles of incorporation,
404 articles of association, partnership agreement, trade name certificate,
405 trust agreement, shareholder agreement and other applicable
406 documents and all amendments to such documents; (2) the bylaws,
407 rules, regulations or similar documents regulating the internal affairs
408 of the applicant; (3) a NAIC biographical affidavit for the individuals
409 responsible for the conduct of affairs of the applicant, including (A) all
410 members of the board of directors, board of trustees, executive
411 committee or other governing board or committee; (B) the principal
412 officers in the case of a corporation or the partners or members in the
413 case of a partnership, association or limited liability company; (C) any
414 shareholders or member holding directly or indirectly ten per cent or
415 more of the voting stock, voting securities or voting interest of the
416 applicant; and (D) any other person who exercises control or influence
417 over the affairs of the applicant; (4) audited annual financial
418 statements or reports for the two most recent fiscal years that prove the
419 applicant has a positive net worth. If the applicant has been in
420 existence for less than two fiscal years, the uniform application shall
421 include financial statements or reports, certified by an officer of the
422 applicant and prepared in accordance with generally accepted
423 accounting principles, for any completed fiscal years and for any
424 month during the current fiscal year for which such financial
425 statements or reports have been completed. An audited annual
426 financial statement or report prepared on a consolidated basis shall

427 include a columnar consolidating or combining worksheet that shall be
428 filed with the report and include the following: (A) Amounts shown on
429 the consolidated audited financial report shall be shown on the
430 worksheet; (B) amounts for each entity shall be stated separately; and
431 (C) explanations of consolidating and eliminating entries shall be
432 included. The applicant shall include such other information as the
433 commissioner may require to review the current financial condition of
434 the applicant; (5) a statement describing the business plan including
435 information on staffing levels and activities proposed in this state and
436 nationwide. The plan shall provide details setting forth the applicant's
437 capability for providing a sufficient number of experienced and
438 qualified personnel in the areas of claims processing, recordkeeping
439 and underwriting; and (6) such other pertinent information as may be
440 required by the commissioner.

441 (b) A third-party administrator applying for licensure shall make
442 available for inspection by the commissioner copies of all written
443 agreements with insurers or other persons utilizing the services of the
444 third-party administrator.

445 (c) A third-party administrator applying for licensure shall produce
446 its accounts, records and files for examination and shall make its
447 officers available to give information with respect to its affairs, as often
448 as is reasonably required by the commissioner.

449 (d) The commissioner may refuse to issue a license if the
450 commissioner determines that the third-party administrator or any
451 individual responsible for the conduct of the affairs of the third-party
452 administrator is not competent, trustworthy, financially responsible or
453 of good personal and business reputation, or has had an insurance or a
454 third-party administrator certificate of authority or license denied or
455 revoked for cause by any jurisdiction, or if the commissioner
456 determines that any of the grounds set forth in section 14 of this act
457 exists with respect to the third-party administrator.

458 (e) Any license issued to a third-party administrator shall be in force

459 until September thirtieth of each year, unless sooner revoked or
460 suspended as provided in this section. The license may be renewed, at
461 the discretion of the commissioner, upon payment of the fee specified
462 in section 38a-11 of the general statutes, as amended by this act,
463 without the resubmission of the detailed information required in the
464 original application.

465 (f) A third-party administrator licensed or applying for licensure
466 under this section shall notify the commissioner immediately of any
467 material change in its ownership, control or other fact or circumstance
468 affecting its qualification for a license in this state.

469 (g) A third-party administrator licensed or applying for a license
470 under this section that administers or will administer governmental or
471 church self-insured plans in this state or any other state shall maintain
472 a surety bond, for use by the commissioner and the insurance
473 regulatory authority of any additional state in which the third-party
474 administrator is authorized to conduct business, to cover individuals
475 and persons who have remitted premiums, charges or fees to the third-
476 party administrator in the course of the third-party administrator's
477 business, in the greater of the following amounts: (1) One hundred
478 thousand dollars; or (2) ten per cent of the aggregate total amount of
479 self-funded coverage under governmental plans or church plans
480 handled in this state and all additional states in which the third-party
481 administrator is authorized to conduct business.

482 Sec. 12. (NEW) (*Effective October 1, 2009*) A person who is not
483 required to be licensed as a third-party administrator under
484 subdivision (11) of section 1 or section 2 of this act and who directly or
485 indirectly underwrites, collects charges or premiums from, or adjusts
486 or settles claims on residents of this state, only in connection with life,
487 annuity or health coverage provided by a self-funded plan other than
488 governmental or church plans, shall register annually with the
489 commissioner not later than October first on a form designated by the
490 commissioner.

491 Sec. 13. (NEW) (*Effective October 1, 2009*) (a) Each third-party
492 administrator licensed under section 11 of this act shall file an annual
493 report for the preceding calendar year with the commissioner on or
494 before July first of each year or within such extension of time as the
495 commissioner may grant for good cause. The annual report shall
496 include an audited financial statement performed by an independent
497 certified public accountant. An audited annual financial statement or
498 report prepared on a consolidated basis shall include a columnar
499 consolidating or combining worksheet that shall be filed with the
500 report and include the following: (1) Amounts shown on the
501 consolidated audited financial report shall be shown on the worksheet;
502 (2) amounts for each entity shall be stated separately; and (3)
503 explanations of consolidating and eliminating entries shall be
504 included. The report shall be in the form and contain such information
505 as the commissioner prescribes and shall be verified by at least two
506 officers of the third-party administrator.

507 (b) The annual report shall include the complete names and
508 addresses of all insurers or other persons with which the third-party
509 administrator had written agreements during the preceding fiscal year.

510 (c) At the time of filing the annual report, the third-party
511 administrator shall pay a filing fee as specified in section 38a-11 of the
512 general statutes, as amended by this act.

513 (d) The commissioner shall review the most recently filed annual
514 report of each third-party administrator on or before September first of
515 each year. Upon completion of its review, the commissioner shall: (1)
516 Issue a certification to the third-party administrator that the annual
517 report shows the third-party administrator has a positive net worth as
518 evidenced by audited financial statements and is currently licensed
519 and in good standing, or noting any deficiencies found in such annual
520 report or financial statements; or (2) update any electronic database
521 maintained by the National Association of Insurance Commissioners,
522 its affiliates or subsidiaries, indicating that the annual report shows the
523 third-party administrator has a positive net worth as evidenced by

524 audited financial statements and complies with existing law, or noting
525 any deficiencies found in such annual report or financial statements.

526 Sec. 14. (NEW) (*Effective October 1, 2009*) (a) The commissioner shall
527 suspend or revoke the license of a third-party administrator, or shall
528 issue a cease and desist order if the third-party administrator does not
529 have a license if, after notice and hearing, the commissioner finds that
530 the third-party administrator: (1) Is in an unsound financial condition;
531 (2) is using such methods or practices in the conduct of its business so
532 as to render its further transaction of business in this state hazardous
533 or injurious to insured persons or the public; or (3) has failed to pay
534 any judgment rendered against it in this state within sixty days after
535 the judgment has become final.

536 (b) The commissioner may suspend or revoke the license of a third-
537 party administrator, or may issue a cease and desist order if the third-
538 party administrator does not have a license if, after notice and hearing,
539 the commissioner finds that the third-party administrator: (1) Has
540 violated any lawful rule or order of the commissioner or any provision
541 of the insurance laws of this state; (2) (A) has refused to be examined
542 or to produce its accounts, records and files for examination, or (B) if
543 any individual responsible for the conduct of the affairs of the third-
544 party administrator, including (i) members of the board of directors,
545 board of trustees, executive committee or other governing board or
546 committee, (ii) the principal officers in the case of a corporation or the
547 partners or members in the case of a partnership, association or limited
548 liability company, (iii) any shareholder or member holding directly or
549 indirectly ten per cent or more of the voting stock, voting securities or
550 voting interest of the third-party administrator, and (iv) any other
551 person who exercises control or influence over the affairs of the third-
552 party administrator, has refused to provide information with respect to
553 its affairs or to perform other legal obligations as to an examination,
554 when required by the commissioner; (3) has, without just cause,
555 refused to pay proper claims or perform services arising under its
556 contracts or has, without just cause, caused insureds to accept less than
557 the amount due or caused insureds to employ attorneys or bring suit

558 against the third-party administrator to secure full payment or
559 settlement of such claims; (4) fails at any time to meet any qualification
560 for which issuance of a license could have been refused had the failure
561 then existed and been known to the commissioner; (5) has any
562 individual who is responsible for the conduct of its affairs, including
563 (A) members of the board of directors, board of trustees, executive
564 committee or other governing board or committee, (B) the principal
565 officers in the case of a corporation or the partners or members in the
566 case of a partnership, association or limited liability company, (C) any
567 shareholder or member holding directly or indirectly ten per cent or
568 more of its voting stock, voting securities or voting interest, and (D)
569 any other person who exercises control or influence over its affairs,
570 who has been convicted of or has entered a plea of guilty or nolo
571 contendere to a felony, without regard to whether adjudication was
572 withheld; (6) is under suspension or revocation in another state; or (7)
573 has failed to file a timely annual report pursuant to section 13 of this
574 act.

575 (c) (1) The commissioner may, without advance notice and before a
576 hearing, issue an order immediately suspending the license of a third-
577 party administrator, or may issue a cease and desist order if the third-
578 party administrator does not have a license, if the commissioner finds
579 that one or more of the following circumstances exist: (A) The third-
580 party administrator is insolvent or impaired; (B) a proceeding for
581 receivership, conservatorship, rehabilitation or other delinquency
582 proceeding regarding the third-party administrator has been
583 commenced in any state; or (C) the financial condition or business
584 practices of the third-party administrator otherwise pose an imminent
585 threat to the public health, safety or welfare of the residents of this
586 state.

587 (2) At the time the commissioner issues an order pursuant to
588 subdivision (1) of this subsection, the commissioner shall serve notice
589 to the third-party administrator that such third-party administrator
590 may request a hearing not later than ten business days after the receipt
591 of the order. If a hearing is requested, the commissioner shall schedule

592 a hearing not later than ten business days after receipt of the request. If
593 a hearing is not requested and the commissioner does not choose to
594 hold one, the order shall remain in effect until modified or vacated by
595 the commissioner.

596 Sec. 15. (NEW) (*Effective October 1, 2009*) The Insurance
597 Commissioner may adopt regulations, in accordance with chapter 54
598 of the general statutes, to implement the provisions of sections 1 to 14,
599 inclusive, of this act.

600 Sec. 16. Subsection (a) of section 38a-15 of the general statutes is
601 repealed and the following is substituted in lieu thereof (*Effective*
602 *October 1, 2009*):

603 (a) The commissioner shall, as often as [he] the commissioner deems
604 it expedient, undertake a market conduct examination of the affairs of
605 any insurance company, health care center, third-party administrator,
606 as defined in section 1 of this act, or fraternal benefit society doing
607 business in this state.

608 Sec. 17. Subsection (a) of section 38a-11 of the general statutes is
609 repealed and the following is substituted in lieu thereof (*Effective*
610 *October 1, 2009*):

611 (a) The commissioner shall demand and receive the following fees:
612 (1) For the annual fee for each license issued to a domestic insurance
613 company, one hundred dollars; (2) for receiving and filing annual
614 reports of domestic insurance companies, twenty-five dollars; (3) for
615 filing all documents prerequisite to the issuance of a license to an
616 insurance company, one hundred seventy-five dollars, except that the
617 fee for such filings by any health care center, as defined in section 38a-
618 175, shall be one thousand one hundred dollars; (4) for filing any
619 additional paper required by law, fifteen dollars; (5) for each certificate
620 of valuation, organization, reciprocity or compliance, twenty dollars;
621 (6) for each certified copy of a license to a company, twenty dollars; (7)
622 for each certified copy of a report or certificate of condition of a
623 company to be filed in any other state, twenty dollars; (8) for

624 amending a certificate of authority, one hundred dollars; (9) for each
625 license issued to a rating organization, one hundred dollars. In
626 addition, insurance companies shall pay any fees imposed under
627 section 12-211; (10) a filing fee of twenty-five dollars for each initial
628 application for a license made pursuant to section 38a-769; (11) with
629 respect to insurance agents' appointments: (A) A filing fee of twenty-
630 five dollars for each request for any agent appointment, except that no
631 filing fee shall be payable for a request for agent appointment by an
632 insurance company domiciled in a state or foreign country which does
633 not require any filing fee for a request for agent appointment for a
634 Connecticut insurance company; (B) a fee of forty dollars for each
635 appointment issued to an agent of a domestic insurance company or
636 for each appointment continued; and (C) a fee of twenty dollars for
637 each appointment issued to an agent of any other insurance company
638 or for each appointment continued, except that no fee shall be payable
639 for an appointment issued to an agent of an insurance company
640 domiciled in a state or foreign country which does not require any fee
641 for an appointment issued to an agent of a Connecticut insurance
642 company; (12) with respect to insurance producers: (A) An
643 examination fee of seven dollars for each examination taken, except
644 when a testing service is used, the testing service shall pay a fee of
645 seven dollars to the commissioner for each examination taken by an
646 applicant; (B) a fee of forty dollars for each license issued; (C) a fee of
647 forty dollars per year, or any portion thereof, for each license renewed;
648 and (D) a fee of forty dollars for any license renewed under the
649 transitional process established in section 38a-784; (13) with respect to
650 public adjusters: (A) An examination fee of seven dollars for each
651 examination taken, except when a testing service is used, the testing
652 service shall pay a fee of seven dollars to the commissioner for each
653 examination taken by an applicant; and (B) a fee of one hundred
654 twenty-five dollars for each license issued or renewed; (14) with
655 respect to casualty adjusters: (A) An examination fee of ten dollars for
656 each examination taken, except when a testing service is used, the
657 testing service shall pay a fee of ten dollars to the commissioner for
658 each examination taken by an applicant; (B) a fee of forty dollars for

659 each license issued or renewed; and (C) the expense of any
660 examination administered outside the state shall be the responsibility
661 of the entity making the request and such entity shall pay to the
662 commissioner one hundred dollars for such examination and the
663 actual traveling expenses of the examination administrator to
664 administer such examination; (15) with respect to motor vehicle
665 physical damage appraisers: (A) An examination fee of forty dollars
666 for each examination taken, except when a testing service is used, the
667 testing service shall pay a fee of forty dollars to the commissioner for
668 each examination taken by an applicant; (B) a fee of forty dollars for
669 each license issued or renewed; and (C) the expense of any
670 examination administered outside the state shall be the responsibility
671 of the entity making the request and such entity shall pay to the
672 commissioner one hundred dollars for such examination and the
673 actual traveling expenses of the examination administrator to
674 administer such examination; (16) with respect to certified insurance
675 consultants: (A) An examination fee of thirteen dollars for each
676 examination taken, except when a testing service is used, the testing
677 service shall pay a fee of thirteen dollars to the commissioner for each
678 examination taken by an applicant; (B) a fee of two hundred dollars for
679 each license issued; and (C) a fee of one hundred twenty-five dollars
680 for each license renewed; (17) with respect to surplus lines brokers: (A)
681 An examination fee of ten dollars for each examination taken, except
682 when a testing service is used, the testing service shall pay a fee of ten
683 dollars to the commissioner for each examination taken by an
684 applicant; and (B) a fee of five hundred dollars for each license issued
685 or renewed; (18) with respect to fraternal agents, a fee of forty dollars
686 for each license issued or renewed; (19) a fee of thirteen dollars for
687 each license certificate requested, whether or not a license has been
688 issued; (20) with respect to domestic and foreign benefit societies shall
689 pay: (A) For service of process, twenty-five dollars for each person or
690 insurer to be served; (B) for filing a certified copy of its charter or
691 articles of association, five dollars; (C) for filing the annual report, ten
692 dollars; and (D) for filing any additional paper required by law, three
693 dollars; (21) with respect to foreign benefit societies: (A) For each

694 certificate of organization or compliance, four dollars; (B) for each
 695 certified copy of permit, two dollars; and (C) for each copy of a report
 696 or certificate of condition of a society to be filed in any other state, four
 697 dollars; (22) with respect to reinsurance intermediaries: A fee of five
 698 hundred dollars for each license issued or renewed; (23) with respect
 699 to life settlement providers: (A) A filing fee of thirteen dollars for each
 700 initial application for a license made pursuant to section 38a-465a; and
 701 (B) a fee of twenty dollars for each license issued or renewed; (24) with
 702 respect to life settlement brokers: (A) A filing fee of thirteen dollars for
 703 each initial application for a license made pursuant to section 38a-465a;
 704 and (B) a fee of twenty dollars for each license issued or renewed; (25)
 705 with respect to preferred provider networks, a fee of two thousand five
 706 hundred dollars for each license issued or renewed; (26) with respect
 707 to rental companies, as defined in section 38a-799, a fee of forty dollars
 708 for each permit issued or renewed; (27) with respect to medical
 709 discount plan organizations licensed under section 38a-479rr, a fee of
 710 five hundred dollars for each license issued or renewed; (28) with
 711 respect to pharmacy benefits managers, an application fee of fifty
 712 dollars for each registration issued or renewed; (29) with respect to
 713 captive insurance companies, as defined in section 38a-91aa, a fee of
 714 three hundred dollars for each license issued or renewed; [and] (30)
 715 with respect to each duplicate license issued a fee of twenty-five
 716 dollars for each license issued; and (31) with respect to third-party
 717 administrators, as defined in section 1 of this act, (A) a fee of five
 718 hundred dollars for each license issued, (B) a fee of three hundred fifty
 719 dollars for each license renewed, and (C) a fee of one hundred dollars
 720 for each annual report filed pursuant to section 13 of this act."

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2009</i>	New section
Sec. 2	<i>October 1, 2009</i>	New section
Sec. 3	<i>October 1, 2009</i>	New section
Sec. 4	<i>October 1, 2009</i>	New section
Sec. 5	<i>October 1, 2009</i>	New section

Sec. 6	<i>October 1, 2009</i>	New section
Sec. 7	<i>October 1, 2009</i>	New section
Sec. 8	<i>October 1, 2009</i>	New section
Sec. 9	<i>October 1, 2009</i>	New section
Sec. 10	<i>October 1, 2009</i>	New section
Sec. 11	<i>October 1, 2009</i>	New section
Sec. 12	<i>October 1, 2009</i>	New section
Sec. 13	<i>October 1, 2009</i>	New section
Sec. 14	<i>October 1, 2009</i>	New section
Sec. 15	<i>October 1, 2009</i>	New section
Sec. 16	<i>October 1, 2009</i>	38a-15(a)
Sec. 17	<i>October 1, 2009</i>	38a-11(a)